

Municipal Grants Program
Facility Construction and Operation Division
Department of Environmental Conservation – Program 1

I. PROGRAM OBJECTIVE

The objective of the Alaska Department of Environmental Conservation's (ADEC) Municipal Grants Program is to assist incorporated communities, through cash grants, in construction of publicly owned water supply, treatment, storage, and distribution systems; sewage collection treatment and discharge systems, and solid waste processing and disposal facilities; and water quality enhancement projects.

II. PROGRAM PROCEDURES

This program is administered by the Division of Facility Construction and Operation (FC&O), Municipal Grants and Loans Section. After application review and determination by a project engineer, a grant is offered and officially accepted by the community. FC&O makes payments based upon a Request for Payment from a community. When a project has been completed and all project expenses made known, a final cost statement is prepared by the community. At this time, 90 percent of the grant is paid to the community and the project is scheduled for an audit. If good cause is shown, the final 10 percent of the grant may be released.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR DISALLOWED

Compliance Requirements

Grant funds can be expended for new construction, including expansion and extensions of municipal systems, the replacement or rehabilitation of existing systems or for water quality enhancement projects. The maintenance of existing systems and construction of storm sewers systems are ineligible for grant funding.

Effective 11/24/94, construction of storm sewers are eligible if the system is part of an approved water quality enhancement project; or, separates storm water runoff from a sanitary sewer system. 18 AAC 73.010(c)(2)(A)&(B)

Suggested Audit Procedures

- Review grant obligation documents, related project records, and expenditures.

Compliance Requirements

Eligible costs include construction, equipment, engineering, legal, and administrative expenses incurred as a direct result of the project as follows:

Costs incurred 120 days or less before a grant offer; and prior to the date of completion certification. Force account labor and equipment charge rates must be approved by ADEC before expenses are incurred.

18 AAC 73.010(f), (g), and .050(b)

Suggested Audit Procedures

- Review project documentation and prepare test schedule to determine if:
Expense is necessary, reasonable, and eligible;
 - a Force account expense is the same rate as approved by ADEC;
 - b Force account labor expense is traceable to a signed and approved timesheet;
 - c Expense is within allowable dates; and
 - d Documentation is mathematically accurate and supports the expense.

Compliance Requirement

Project plans and specifications must be prepared and signed by a professional engineer and approved by ADEC prior to grantee's issuance of a Notice to Proceed with Construction. 18 AAC 73.020(a) and (d); AS 46.03.720

Suggested Audit Procedure

- Compare ADEC plan approval date with Notice to Proceed date or start of construction date for force account projects.

Compliance Requirements

Construction contracts with estimated costs exceeding \$50,000 must be awarded through a competitive bidding process unless otherwise approved by ADEC. ADEC must concur with the awarding of construction contracts, and all change orders must be submitted to the department for approval. 18 AAC 73.020(e), (f), and (g)

Suggested Audit Procedures

- Obtain copies of the applicable contracts, the contractor's original bid, and any change orders, and the contractor's final pay estimate.
- Determine if:
 - a Contract was awarded to lowest responsive bidder;
 - b ADEC concurrence was given on the contract;
 - c ADEC approved all change orders;

- d Contract(s) pertained to this project;
- e Payments did not exceed cost ceiling; and
- f Unit prices are the same on the original bid and the contractor's final pay estimate.

Compliance Requirements

Ineligible expenditures include: acquisition of land and rights-of-way, including easements; purchase of privately owned utilities; interest and financing; formation of local improvement districts; operation, maintenance or system repair; preparation of grant applications; salaries of existing administrative staff working normally scheduled hours; vehicles used to collect and transport solid waste from its point of generation to a point of disposal; and comprehensive plans and feasibility studies. 18 AAC 73.010(g)

Project specific feasibility studies and planning reports are eligible expenditures.

Suggested Audit Procedures

- Review reported costs and related records to determine if the funded project included any ineligible costs;
- Obtain and review copies of construction, engineering, and other applicable contracts; and
- Review field inspector's reports to determine if there were construction irregularities.

B. ELIGIBILITY

Compliance Requirement

The auditor is not expected to verify eligibility.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS.

Compliance Requirements

For those grants awarded on or after July 1, 1994; the grant amount may not exceed:

- a 85 percent of the eligible costs for a municipality with a population of 1,000 persons or less;
- b 70 percent of the eligible costs for a municipality with a population of 1,001 to 5,000 persons; or
- c 50 percent of the eligible costs for a municipality with a population greater than 5,000 persons.

However, if a municipality with a population greater than 5,000 persons seeks a grant for a project that relates to solid waste processing or disposal system that incorporates resource recovery, the department may provide a grant for up to 60 percent of the eligible costs of the project.
46.03.030(e)

For those grants awarded prior to July 1, 1994; the grant amount for all projects is 50 percent of the eligible costs not financed by the federal government. Unless the project incorporates a solid waste processing and disposal facility, then the grant amount may not exceed 60 percent of eligible costs.

In addition, for those projects awarded prior to July 1, 1994; if the federal government provides funding for the project, then the eligible costs will be determined according to the federal grant program which provides the most financial assistance.

No grant awarded by the department may result in project funding being in excess of 100 percent of total project costs. 18 AAC 73.040(b)

Suggested Audit Procedures

- Review municipality's reported source of funds and perform the following:
 - a Obtain copies of all funding source documents and receipts; and
 - b Determine if committed funding is more than 100 percent of total project costs.

D. REPORTING REQUIREMENTS

Compliance Requirement

Grantee must submit progress reports as part of the payment requests. 18 AAC 73.050(a) and (b)

Suggested Audit Procedure

- Obtain copies of submitted reports to review for completeness/timeliness.

E. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

Grantee must construct a project capable of operating in accordance with approved plans and specifications.
18 AAC 73.020(j)

Suggested Audit Procedures

- Perform physical review of actual construction project; and
- Review documentation concerning operability.

Modified 1/96